

**Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201**

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Date: October 27, 2011**

**Department of the Treasury**

**Employer Identification Number:**

**Contact Person - ID Number:**

**Contact Telephone Number:**

**UIL 4945.04-04**

**LEGEND**

**B =**

**x =**

**Dear**

We have considered your request for advance approval of your grant-making program under section 4945(g)(3) of the Internal Revenue Code, dated December 6, 2010.

Our records indicate you were recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

Your grant program was established to provide the opportunity for executive directors and other senior leaders to attend a leadership program. The desired outcome is building the capacity of the organizations to which you make grants, by providing professional development opportunities to strong leaders of organizations.

You plan to provide five grants per year at **x** per person. You will provide the grants to senior leaders of organizations which you have funded. These organizations will be made aware of the program and how to apply. The pool of eligible senior leaders would include senior leaders from approximately 150 to 200 organizations. You will assess the leaders from these organizations to see who would be the strongest candidates for the leadership program, **B**. This is a week-long residential program, offered once a year, with a similar curriculum each year.

To identify grant recipients you will seek strong, capable leaders, persons who are visionary, innovative, passionate about their cause, dedicated to their organization, able to show the results of their work, and interested in gaining new skills. You will select leaders who will then have to complete the application process for **B**. The selection for **B** is based on professional experience, commitment to the goals of their organization and leadership experience and potential. The applicant must have a minimum of three years experience in a senior-level position, such as: Executive Director; Chief Executive Officer; Chief Financial Officer; Deputy Director or Development Director. Applicants must complete the online application and include a resume and a letter of recommendation. They must commit to the course of work for **B** that starts approximately five weeks prior to the in-house sessions with reading assignments and the completion of a leadership assessment. Applicants must be willing to engage in the learning

objectives of **B**, which are “to help you engage in a higher-level of thinking about the purpose and practice of your role as a leader to help you tackle today’s challenges and prepare for the future.”

You have a conflict of interest statement signed by all Trustees and employees. You will not allow an applicant who is related to a board member, foundation manager, or a selection committee member to be considered for one of the grants.

You will approach the initial top five candidates and offer the grant which is contingent upon acceptance to **B**. Once applicants express interest in accepting your grant for this program, they will apply directly to **B** through **B**’s competitive process. If they are accepted, you will provide funding for them to participate. You rely on **B** to screen the candidates for the proper academic qualifications.

The selection committee will consist of your Executive Director, two Program Officers, and an Administrative Assistant. This is because your staff has the best understanding and awareness of your grantees. Your staff members have gone on site visits to these organizations in the recent past and have historical knowledge of the organizations and their work. Your staff has met the leaders of these organizations, reviewed and evaluated proposals from them, and has recommended them for grants to your Trustees. As a result, your staff members are in the ideal position to know which leaders of your grantee organizations will make strong candidates for the program at **B**.

Potential grant recipients are contacted in person by your staff and offered a grant which is contingent upon admittance to **B**. They must apply to **B**. After **B** reviews the applicants and completes its selection process, recipients will be notified by **B**. You will also be notified at that time. Once they are admitted, the contingency is removed and the grant is formally awarded. You will receive a copy of the invoice directly from **B** confirming the tuition has been paid by the organization that employs the individual candidate. You will reimburse the organization directly for the cost of the program. Reimbursements will never be paid directly to an individual.

Recipients cannot renew the grant. They will be able to receive the grant from you only once.

You will retain all records submitted by the grantees and their educational institutions. You will obtain and maintain in your file evidence that no recipient is related within the meaning of Section 4958 to you or to any members of the selection committee. The recipient needs to complete all of the application materials for **B**, attend **B**, and provide you with a copy of the invoice. **B** will let you know which of the candidates to whom you have offered grants have been accepted and will send you copies of the invoices for the program only for those candidates. You have a strong working relationship with **B**. **B** will know the candidates you are supporting, and **B**’s staff will let you know if your candidates are not attending. When the training program concludes at the end of the week, recipients will complete a survey administered by **B** about their experience in the program.

If you were to find out from **B** that any of your candidates did not attend the program, you will approach those individuals’ organizations to recoup the grant. You will write a formal letter to the Executive Director and Board Chair of the affected organization(s) requesting the return of the amounts disbursed. If that did not result in your funds being returned, you would not consider future grant applications from that organization.

You agree to maintain records that include the following:

- (i) Information used to evaluate the qualification of potential grantees;
- (ii) Identification of the grantees (including any relationship of any grantee to the private foundation);
- (iii) The amount and purpose of each grant; and
- (iv) All grantee reports and other follow-up data obtained in administering the private foundation's grant program.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we

have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(3) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

We have not considered whether grants made under your procedures are excludable from the gross income of recipients under section 117(a) of the Code.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner  
Director, Exempt Organizations

Enclosure: